

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 01315 141817Z

42

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INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

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C O N F I D E N T I A L BRUSSELS 1315

LIMDIS

USDAF FOR ASSISTANT SECRETARY SHRONTZ

E.O. 11652: XGDS-2

TAGS: MARR, MASS, BE

SUBJECT: F-104 REPLACEMENT

1. THIS TELEGRAM OUTLINES THE COURSE OF EVENTS PLANNED OR BEING PLANNED BY THE EUROPEANS FOR THE NEXT WEEKS AND MAKES RECOMMENDATIONS ON STEPS THE US SHOULD TAKE.

2. ON FEBRUARY 17 THE DEFENSE MINISTERS OF THE FOUR-NATION CONSORTIUM WILL MEET TO DISCUSS THE REPORT OF THE STEERING COMMITTEE, TO APPROVE OFFICIALLY THE QUESTIONS TO BE PUT TO THE US AND FRANCE, AND TO DECIDE ON THE PROCEDURE FOR OBTAINING THE ANSWERS.

3. OUR SOURCES EXPECT THAT THERE WILL BE LITTLE OR NO DISCUSSION OF THE SUBSTANCE OF THE REPORT.

4. THE QUESTIONS TO BE PUT TO THE UNITED STATES PROBABLY WILL COVER THE FOLLOWING SUBJECTS:

A. THE BELGIANS ARE CONCERNED ABOUT THE ABSENCE OF A FIRM CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 01315 141817Z

PRICE CEILING FOR THE F-16 AND THE POSSIBILITY OF HAVING

TO GO BACK TO PARILAMENT IN THE FUTURE TO ASK FOR MORE MONEY THAN IS NOW ENVISAGED. THERE WILL BE A SERIES OF QUESTIONS TO FIND OUT IF WE CANNOT PUT A TIGHTER LID ON OUR PRICE.

B. THEY ARE ALSO WORRIED ABOUT THE REQUIREMENT THAT THE BIDS OF THE EUROPEAN CO-PRODUCERS BE REASONABLY COMPETITIVE. THE ECONOMICS MINISTRY HAS RECEIVED A LETTER FROM GENERAL DYNAMICS ASSURING THE MINISTRY THAT GD WOULD NOT UNILATERALLY WITHDRAW FROM ANY PRODUCTION PLACED IN BELGIUM. THE ECONOMICS MINISTRY SAID THIS ASSURANCE WAS HELPFUL BUT ASKED FOR A SIMILAR ASSURANCE FROM THE US GOVERNMENT. THERE WILL BE QUESTIONS ON THIS MATTER TO DETERMINE THE PRECISE NATURE AND SIZE OF THE INDUSTRIAL RISK POSSIBLY ARISING FROM BELGIAN FIRMS NOT BEING REASONABLY COMPETITIVE.

C. THE US PRICE ADVANTAGE STEMS IN PART FROM THE CURRENT DOLLAR-FRANC EXCHANGE RATE. THE BELGIANS THINK THAT THE DOLLAR PROBABLY WILL BECOME MORE EXPENSIVE WITH A CONSEQUENT INCREASE IN THE COST IN FRANCS OF THE F-16. THEIR QUESTIONS ARE DESIGNED TO FIND OUT IF THERE IS ANY WAY TO REDUCE THE FOREIGN EXCHANGE RISK.

5. THE BELGIANS AND THE DUTCH, WE ARE TOLD, HAVE ALREADY DISCUSSED THE PROCEDURE FOR OBTAINING THE ANSWERS. THE BELGIANS PREFERRED SENDING A TEAM OF OFFICIALS FROM THE FOREIGN, DEFENSE, AND ECONOMIC MINISTRIES TO WASHINGTON THE END OF NEXT WEEK TO RECEIVE THE ANSWERS. THE DUTCH, ACCORDING TO THE BELGIANS, PREFERRED TO SEND DEFENSE MINISTERS TO WASHINGTON.

6. THE BELGIAN FOREIGN OFFICE ASKED ME INFORMALLY TODAY FOR MY ADVICE. I REPLIED THAT I WOULD SEEK IMMEDIATE QUIDANCE FROM WASHINGTON AND MADE THE FOLLOWING PRELIMINARY AND PERSONAL COMMENTS. CONCERNING THE NUMBER OF MINISTRIES, I SAID THAT, SINCE THE ULTIMATE DECISION WOULD BE MADE BY THE GOVERNMENT AS A WHOLE, IT WOULD MAKE SENSE TO HAVE AT LEAST THE THREE MAIN MINISTRIES REPRESENTED. CONCERNING TIMING, IS SAID THAT THE END OF NEXT WEEK WOULD GIVE THE US PREVIOUS LITTLE TIME TO PREPARE THE ANSWERS AND THAT WE WOULD WANT A FULL WEEK AT LEAST. CONCERNING THE LEVEL OF REPRESENTATION, I DECLINED TO GIVE ANY PRELIMINARY ADVICE ON THE GROUNDS THAT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 01315 141817Z

I DID NOT KNOW WHAT OTHER COMMITMENTS SECRETARY SCHLESINGER MIGHT HAVE.

7. THE BELGIAN FOREIGN MINISTRY WANTS TO HAVE OFFICIAL US VIEWS ON THESE PROCEDURAL QUESTIONS BEFORE THE FOUR-NATION CONSORTIUM MEETS AT 0930 FEBRUARY 17.

8. OFFICIALS HERE ARE NOW TALKING ABOUT THE POSSIBILITY

OF A DECISION ON WHICH PLANE TO BUY ANY TIME BETWEEN
MARCH 10 AND MARCH 31.

9. YESTERDAY, GENERAL DYNAMICS AND PRATT AND WHITNEY ASKED
US WHETHER A VISIT TO BELGIUM BY LEWIS AND GRAY WOULD BE
HELPFUL. THE EMBASSY AND MAAG TOLD THEM THAT SUCH A VISIT
WOULD BE USEFUL BUT NOT UNTIL AFTER THE US GOVERNMENT HAD
ANSWERED THE QUESTIONS TO BE PUT TO US.

10. IN VIEW OF THE ABOVE, I HAVE THE FOLLOWING RECOMMENDATIONS:

A. IN ANSWERING THE QUESTIONS, WE SHOULD TRY TO FIND WAYS TO
MEET THE BELGIAN CONCERN TO THE GREATEST EXTENT POSSIBLE.
THEY ARE REAL AND OUR ANSWERS PROBABLY WILL BE DEISIVE.

THE BELGIAN GOVERNMENT HAS NOT YET MADE A DECISION ON
WHICH PLANE TO BUY. PRIME MINISTER TINDEMANS HAS NOT EXPRESSED
ANY VIEWS RECENTLY AND APPARENTLY IS KEEPING HIMSELF OUT OF
THE FRAY SO HE CAN ARBITRATE ANY DIFFERENCES AMONG HIS
MINISTERS. DEFENSE MINISTER VANDEN BOEYNANTS WANTS TO CHOOSE
THE F-1 BUT IS LIKELY TO WEIGHT CAREFULLY MILITARY, ECONOMIC,
AND POLITICAL FACTORS BEFORE TAKING A PUBLIC STAND. FOREIGN
MINISTER VAN ELSLANDE AND HIS PRINCIPAL ADVISORS APPEAR TO
BE LEANING TOWARD THE F-16 BUT THEY ARE KEEPING THEIR OPTIONS
OPEN. ECONOMICS MINISTER OLEFFE IS ILL AND IT IS NOT CLEAR
WHAT ROLE HE WILL PLAY IN SHAPING THE GOVERNMENT'S POSITION.
HIS MAIN ADVISORS ARE PLAHING IT CLOSE TO THEIR VESTS BUT
CONTINUE TO RAISE QUESTIONS ABOUT INDUSTRIAL AND EMPLOYMENT
BENEFITS. FINANCE MINISTER DE CLERCQ SAYS HE INTENDS TO PLAY
AN ACTIVE ROLE IN THE DECISION. HE CONSIDERS THAT THE KEY
ISSUE WILL BE INDUSTRIAL BENEFITS.

WE SHOULD ANTICIPATE THAT THE FRENCH WILL IMPROVE THEIR
OFFER. ALSO IT IS ENTIRELY POSSIBLE THAT FRANCE WILL MAKE
A POLITICAL GESTURE TOWARD EUROPE, SUCH AS JOINING OR
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BRUSSE 01315 141817Z

AGREEING TO WORK MORE CLOSELY WITH EUROGROUP.

B. ON THE PROCEDURE FOR THE EUROPEANS TO RECEIVE OUR ANSWERS
TO THEIR QUESTIONS, IT IS IMPORTANT THAT THE FOREIGN
MINISTRY AND THE ECONOMICS MINISTRY BE INVOLVED. WE DO
NOT WANT OUR ANSWERS INTERPRETED TO OUR FRIENDS (ACTUAL OR
POTENTIAL) BY OUR OPPONENTS.

C. ON THE TIMING OF OUR ANSWERS, MY VIEW IS THAT THE QUALITY
OF OUR ANSWERS IS EVEN MORE IMPORTANT THAN PROMPTNESS.

D. ON THE LEVEL OF THEIR REPRESENTATIVES, I RECOMMEND THAT
WE TAKE NO STAND, SAYING THAT WE WOULD BE HAPPY TO RECEIVE
REPRESENTATIVES OF THE INVOLVED MINISTRIES AT WHATEVER LEVEL
THEY DECIDE.

E. REGARDING THE POSSIBILITY OF A VISIT TO BELGIUM BY LEWIS AND GRAY, MY JUDGMENT IS THAT, FOR MAXIMUM IMPACT, THEH SHOULD BE ACCCOMPANIED BY ASSISTANT SECRETARY SHRONTZ, WHO COULD SPEAK WITH THE AUTHORITY OF THE US GOVERNMENT. THE BEST TIME FOR THE VISIT WOULD BE SHORTLY AFTER THE US HAS GIVEN THE EUROPEANS OUR ANSWERS TO THEIR QUESTIONS.THAT WOULD BE THE OPTIMUM TIME FOR CALLS ON BELGIAN MINISTERS. IF LEWIS AND GRAY CONSIDER IT NECESSARY TO COME EARLIER IN ORDER TO NEGOTIATE WITH BELGIAN INDUSTRIAL LEADERS, MY PRESENT VIEW IS THAT THEY SHOULD RETURN LATER TO SEE THE KEY BELGIAN MINISTERS.

11. YOUR GUDANCE ON THE PROCEDURE FOR THE EUROPEANS TO RECEIVE OUR ANSWERS IS NEEDED HERE AT THE LATEST BY 0900 FEBRUARY 17. EARLY GUDANCE ON THE OTHER ISSUES WOULD BE APPRECIATED.RENNER

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